

**HOUSING AUTHORITY OF THE CITY OF COVINGTON
COVINGTON, LOUISIANA**

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED MARCH 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-4-07

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of the City of Covington
Covington, Louisiana

We have audited the accompanying financial statements of net assets-enterprise fund of **Housing Authority of the City of Covington (HACC)** as of and for the year ended March 31, 2005, and the related statements of revenues, expenses and changes in fund net assets and cash flows-enterprise fund for the year then ended. These financial statements are the responsibility of HACC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose expressing an opinion on the effectiveness of HACC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HACC, as of March 31, 2005, and the respective changes in net assets and cash flows of its enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Board of Commissioners
Housing Authority of the City of Covington
Covington, Louisiana
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, on our consideration of HACC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the accompanying financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 21, 2006

HOUSING AUTHORITY OF THE CITY OF COVINGTON MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Housing Authority of the City of Covington (HACC), we offer readers of HACC's financial statements this narrative overview and analysis of the financial activities of HACC for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here in conjunction with HACC's audited financial statements.

The Management's Discussion and Analysis (MD&A) is an element (capital operating) of the new reporting model adopted by the *Governmental Accounting Standards Board (GASB)* in their Statement No. 34 Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current and prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, HACC has elected to exclude the information in this report. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

The assets of HACC exceeded its liabilities at the close of 2005 by \$1,847,574 (*net assets*). Of this amount, \$176,242 (*unrestricted net assets*) may be used to meet HACC's ongoing obligations to citizens and creditors.

HACC's enterprise fund reported net assets of \$1,847,574, a net increase of \$1,704,189 in comparison to the prior year. This increase is primarily attributable to the conversion to GASB 34 for the year ended March 31, 2005 and the impact of HUD contributed capital.

HACC had total operating revenues of \$80,517, subsidies and capital grant revenues of \$777,360 and other non-operating revenues of \$1,177. Total operating expenses for the year ended March 31, 2005 was \$942,977.

**HOUSING AUTHORITY OF THE CITY OF COVINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

FINANCIAL HIGHLIGHTS, CONTINUED

At March 31, 2005, unrestricted net assets for HACC was \$176,242, or twenty (20) percent of its total operating expenses for the year ended March 31, 2005.

HACC continues to operate without the need for debt borrowings during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to HACC's basic financial statements. HACC's basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. HACC is a special-purpose entity engaged in one business-type activity. Accordingly, only fund financial statements are presented as the basic financial statements.

Effective, April 1, 2004, HACC adopted *Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. HACC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. HACC has two federally funded programs that are consolidated into a single enterprise fund.

Low Rent Public Housing Program - HACC's Low Rent Public Housing Program rents housing units to low-income families. The Low Rent Public Housing Program is operated under an Annual Contribution Contract with HUD. HUD provides an operating subsidy to enable HACC to provide housing at a rent that is based upon 30% of adjusted gross household income.

**HOUSING AUTHORITY OF THE CITY OF COVINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

FUND FINANCIAL STATEMENTS, CONTINUED

Section 8 Housing Assistance - Housing Choice Voucher Program - The Housing Choice Voucher Program assist low income families with their rental payments in the private market. A housing assistance payment is paid directly to landlords on behalf of the families in the program. The families pay the difference between the rent charged by the landlord and the housing assistance payment provided by the program. HACC is paid by HUD to administer the program.

Capital Fund Program (CFP) - The Low Rent Public Housing Program also includes the CFP as the primary funding source for HACC's physical and management improvements. CFP funding is provided by formula allocation and based upon size and age of HACC's units.

USING THIS ANNUAL REPORT

HACC's annual report consists of financial statements that show information about HACC's enterprise fund.

Our auditor has provided assurance in his independent auditor's report located immediately preceding this Management's Discussion and Analysis. That opinion is unqualified with respect to the basic financial statements. Varying degrees of assurances are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

REPORTING ON HACC's MOST SIGNIFICANT FUND

HACC's financial statements provide detailed information about its most significant fund. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, HACC may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. HACC's enterprise fund used the following accounting approach:

Proprietary Funds - All of HACC's services are reported in an enterprise fund. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of proprietary funds is on income measurement which, together with the maintenance of equity, is an important financial indicator.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

FINANCIAL ANALYSIS

HACC's net assets was \$1,847,574 at March 31, 2005. Of this amount, \$176,242 was unrestricted. The unrestricted net assets of HACC are available for future use to provide program services.

Table 1
Statement of Net Assets

The following table represents a condensed Statement of Net Assets as of March 31, 2005:

Assets	
Current assets	\$ 278,515
Capital assets, net	<u>1,671,332</u>
Total assets	<u>1,949,847</u>

Liabilities	
Current liabilities	96,722
Long-term liabilities	<u>5,551</u>
Total liabilities	<u>102,273</u>

Net Assets	
Net assets:	
Invested in capital assets, net	1,671,332
Unrestricted	<u>176,242</u>
Total net assets	<u>\$1,847,574</u>

**HOUSING AUTHORITY OF THE CITY OF COVINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

FINANCIAL ANALYSIS, CONTINUED

Table 2
Changes in Net Assets

The following table reflects the condensed Statement of Revenues, Expenses, and Changes in Net Fund Assets for the year ended March 31, 2005:

Revenues:	
Operating revenues	\$ <u>80,517</u>
Total operating revenues	<u>80,517</u>
Expenses:	
Operating expenses	<u>942,977</u>
Total operating expenses	<u>942,977</u>
Operating loss	<u>(862,460)</u>
Non-operating revenues	<u>778,537</u>
Total non-operating revenues	<u>778,537</u>
Change in net assets	(83,923)
Beginning net assets, as restated	<u>1,931,497</u>
Ending net assets	<u>\$1,847,574</u>

**HOUSING AUTHORITY OF THE CITY OF COVINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with prior fiscal year, total operating and non-operating revenues decreased by \$112,258 from a combination of larger offsetting factors.

Reasons for most of these changes are listed below:

- Federal revenues from HUD for operations decreased from \$741,165 in 2004 to \$687,259 for the year ended March 31, 2005, principally due to variances in the level of leased-up and housing assistance payments to landlord for the year ended March 31, 2005.
- Capital funds for modernization projects decreased from \$147,591 for 2004 to \$90,101 for the year ended March 31, 2005, primarily due to funding availability from HUD.
- Tenant revenues increased from \$75,117 in 2004 to \$80,517 for the year ended March 31, 2005, in part because of changes in tenant's personal income, which serves as the basis for tenant rent payment level calculation.

Compared to the prior fiscal year, total operating expenses decreased from \$1,042,869 in 2004 to 942,977 for the year ended March 31, 2005.

Reasons for most of these changes are listed below:

- Cost containment measures implemented during the year ended March 31, 2005 impacted major cost categories such as repairs and maintenance, insurance and protective services.
- Also, housing assistance payments to landlords decreased as a combination of participating tenant's income level and leased-up levels.

**HOUSING AUTHORITY OF THE CITY OF COVINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At March 31, 2005, HACC had \$1,671,332 invested in a broad range of capital assets, including land, buildings and building improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$57,752.

Capital Assets at Year-end

Land and land improvements	\$ 229,357
Buildings and buildings improvements	2,410,069
Furniture and equipment	<u>215,049</u>
	2,854,475
Less accumulated depreciation expense	<u>(1,183,143)</u>
Totals	<u>\$ 1,671,332</u>

See Note 4 for additional information.

No debt was issued for these additions.

**HOUSING AUTHORITY OF THE CITY OF COVINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

CAPITAL ASSET AND DEBT ADMINISTRATION, CONTINUED

Capital Assets, Continued

This year's additions of \$33,509 are mainly dwelling improvements and equipment purchases. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

Our long-term debt consists of accrued annual leave of \$5,551. We present more detail about our long-term liabilities in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

HACC is primarily dependent upon HUD for the funding of its operations; therefore HACC is affected more by the Federal budget than by local economic conditions. The operating subsidy for the fiscal year March 31, 2006 has been approval by HUD.

CONTACTING HACC'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of HACC's finances and to show HACC's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Tammie Groover, Executive Director, at the Housing Authority of the City of Covington, 303 West 33rd Avenue, P. O. Box 1293, Covington, LA 70434, telephone number (985) 898-0345.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
STATEMENT OF NET ASSETS - ENTERPRISE FUND
MARCH 31, 2005

ASSETS

Current Assets:

Cash (NOTE 5)	\$ 219,031
Restricted cash (NOTE 6)	7,354
Amounts receivable, net (NOTE 2)	47,664
Prepaid and other assets (NOTE 3)	<u>4,466</u>

Total current assets \$ 278,515

Non-Current Assets:

Capital assets, net (NOTES 4 and 12)	<u>1,671,332</u>
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Total non-current assets 1,671,322

Total assets 1,949,847

LIABILITIES

Current Liabilities:

Accrued pilot payable	\$ 7,147
Amounts and other payables (NOTE 7)	80,406
Compensated absences payable (NOTE 13)	1,868
Security deposits held for tenants (NOTE 6)	6,227
Payroll taxes payable	<u>1,074</u>

Total current liabilities 96,722

Non-Current Liabilities:

Compensated absences payable (NOTE 13)	<u>5,551</u>
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Total non-current liabilities 5,551

Total liabilities 102,273

NET ASSETS

Net Assets:

Invested in capital assets, net of related debt	1,671,332
Unrestricted	<u>176,242</u>

Total net assets \$ 1,847,574

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS--ENTERPRISE FUND
FOR THE YEAR ENDED MARCH 31, 2005

Operating Revenues:	
Dwelling rental	\$ 79,004
Fees and charges	<u>1,513</u>
Total operating revenues	<u>80,517</u>
Operating Expenses:	
Salaries and employee benefits	145,374
Materials	22,204
Contractual services	57,575
Utilities	7,534
Depreciation	91,261
Insurance	22,812
Housing assistance payments	536,119
Convention and travel	20,058
Telephone	7,591
General	5,385
Payments in lieu of taxes	7,147
Bad debt	600
Dues and membership	756
Tenant services	155
Postage	2,226
Security	6,323
Training	4,252
Supplies	<u>5,605</u>
Total operating expenses	<u>942,977</u>
Operating loss	<u>(862,460)</u>
Non-operating Revenues:	
Grants and subsidies	777,360
Interest income	562
Other	<u>615</u>
Total non-operating revenues	<u>(778,537)</u>
Change in net assets	<u>(83,923)</u>
Net assets, beginning of year	143,385
Adjustment to beginning net assets (NOTE 14)	<u>1,788,112</u>
Net assets, beginning of year, as restated	<u>1,931,497</u>
Net assets, end of year	\$ <u>1,847,574</u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
STATEMENT OF CASH FLOWS--ENTERPRISE FUND
FOR THE YEAR ENDED MARCH 31, 2005

Cash Flows from Operating Activities:	
Receipts from tenants	\$ 83,324
Payments to vendors for goods and services	(632,111)
Payments to employees	(145,374)
Payments to others	<u>(5,111)</u>
Net cash used in operating activities	<u>(699,272)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of fixed assets	<u>(33,509)</u>
Cash used in capital and related financing activities	<u>(33,509)</u>
Cash Flows from Noncapital Financing Activities:	
Subsidy from federal grants	780,568
Other	<u>1,177</u>
Cash provided by noncapital financing activities	<u>781,745</u>
Net increase in cash	48,964
Cash, beginning of year	<u>177,421</u>
Cash, end of year	\$ <u><u>226,385</u></u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
STATEMENT OF CASH FLOWS--ENTERPRISE FUND, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2005

Reconciliation of operating loss to net cash used by Operating Activities:	
Operating loss	\$ (862,460)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	91,261
Bad Debts	600
Changes in assets and liabilities:	
Increase in amounts receivable, net	(16,660)
Decrease in prepaid items	13,756
Increase in amount and other payables	75,589
Decrease in security deposits held for tenants	(3,596)
Increase in accrued pilot payable	7,147
Decrease payroll taxes payable	<u>(4,909)</u>
Net cash used by operating activities	\$ <u>(699,272)</u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Significant Accounting Policies:

General

The Housing Authority of the City of Covington (HACC) is governed by a five (5) member Board of Commissioners, all appointed by the Mayor of the City of Covington, and headed by an Executive Director. The Board and Executive Director are responsible for all activities of HACC. HACC has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and City of Covington. Also, HACC had no component unit as described within the provisions of GASB Nos. 14 and 39.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering housing programs in the United States of America. Accordingly, HUD has entered into an Annual Contribution Contract with HACC.

As of March 31, 2005, HACC was primarily engaged in the administration of Low-Income and Housing Choice Voucher Programs to eligible low-income residents in the City of Covington, Louisiana.

Under the Low Rent Public Housing Program, HACC provides housing to eligible families under leasing arrangements. For the "Housing Choice Voucher" Program, (previously titled the Section 8 and Voucher programs) HACC provides funds in the form of rental subsidies to owners on behalf of tenants.

Financial Reporting Entity

Government Accounting Standards Board (GASB) Statement No. 14, "Financial Reporting Entity", established standards for defining and reporting on the financial entity. GASB 14 indicates that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies, Continued:

Financial Reporting Entity, Continued

HACC was established as a separate legal entity with a governing board which is separate and independent of any other governmental "reporting entity" as defined by GASB 14. Accordingly, management has concluded that **HACC** is a financial reporting entity within the meaning of the provisions of GASB 14. Accordingly, **HACC** is not a component unit of the financial reporting entity of the City of Covington.

Basis of Presentation

As required by Louisiana State Reporting Law (R.S. 24:514) and HUD regulations, **HACC's** financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

Specifically, the accounts of **HACC** are accounted for under the proprietary fund. Accordingly, the accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and applied to governmental units.

Proprietary Fund Type - A proprietary fund is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. **HACC** applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. **HACC's** fund include the following type:

Enterprise Fund - An enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued

HACC has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components-invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The term measurement focus is used to denote what is being measured and reported in **HACC's** operating statement. **HACC's** financial statements are reported on using the flow of economic resources measurement focus and accrual basis of accounting. The fundamental objective of this focus is to measure whether **HACC** is better or worse off economically as a result of events and transactions of the period.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued

The term basis of accounting is used to determine when a transaction or event is recognized on **HACC's** operating statement. **HACC** used the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Pursuant to GASB 33 (Accounting and Financial Reporting for Non-Exchange Transactions), **HACC** recognizes assets, liabilities, revenues and expenditures under its government-mandated and voluntary non-exchange transactions as follows:

- **HACC** recognizes assets and liabilities when all applicable eligibility requirements are met or resources received, whichever is first;
- Revenues and expenses are recognized when all applicable eligibility requirements are met; and
- Transactions with time requirements received prior to the satisfaction of the time requirement(s) are recorded by **HACC** as deferred revenue.

Amounts Receivable

Amounts receivable are stated at net realizable value as required by accounting principles generally accepted in the United States of America. It is the practice of **HACC** to expense uncollectible receivables upon determination of uncollectibility using the allowance method.

Interprogram Activities

All interprogram transactions, except quasi external transactions, advances and reimbursements are reported as transfers. Nonrecurring and permanent transfers of equity are reported as residual equity transfer. All other interprogram transfers are reported as operating transfers and recognized at the time the underlying event occurs. Interprogram due from and to are netted at the combined financial statement level.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies, Continued:

Capital Assets

Capital assets are recorded at cost. Donated assets are valued at estimated fair value on the date donated. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not capitalized in the enterprise fund.

HACC follows the practice of capitalizing all structures and equipment over \$500.

Capital assets are depreciated in the enterprise fund of HACC using the following estimated useful lives.

<u>Assets</u>	<u>Estimated Useful Lives in Years</u>
Building	33
Building improvements	15
Land improvements	15
Equipment	3-7

Depreciation is computed using the straight-line method.

Under accounting principles generally accepted in the United States of America, long-lived assets are to be reviewed for impairment. If the sum of the expected future cash flows is less than the carrying value amount of the asset, an impairment loss should be recognized. At March 31, 2005, management has not estimated the effect of adoption of Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies, Continued:

Compensated Absences

HACC follows Louisiana Civil Service regulations for accumulated annual and sick leave. Under those regulations, employees may accumulate up to three hundred (300) hours of annual leave which may be received upon separation or retirement. Sick leave hours accumulate, but the employee is not paid for accumulated sick leave hours if not used by his/her retirement or separation date.

The cost of current leave privileges computed in accordance with GASB Codification Section C60, is recognized as a current year expense in the enterprise fund when leave is earned.

Total Memorandum Only

The total column on the accompanying combining financial statements (supplementary information) are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Budgets

HACC prepares an annual budget for its proprietary fund. Prior to the beginning of the fiscal year, the annual budget is approved by the Board of Commissioners. Budgetary amendments require approval by the Board.

HACC does not present its budget to actual comparison for the enterprise fund as part of its financial statements as accounting principles generally accepted in the United States of America do not require such, despite adoption of an annual budget by HACC's Board of Commissioners.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies, Continued:

Statement of Cash Flows

For purposes of the statement of cash flows, HACC considers all highly liquid investments with original maturity of ninety (90) days or less when purchased to be cash and temporary cash investments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Amounts Receivable, Net:

Amounts receivable, net as of March 31, 2005, consisted of the following:

	<u>Annual Contribution Contracts</u>		
	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
HUD	\$ 23,101	\$ 12,596	\$ 35,697
Tenants	2,960	-0-	2,960
Other	<u>9,996</u>	<u>-0-</u>	<u>9,996</u>
Sub-total	36,057	12,596	48,653
Less: Allowance for doubtful accounts	<u>(989)</u>	<u>-0-</u>	<u>(989)</u>
Total	\$ <u>35,068</u>	\$ <u>12,596</u>	\$ <u>47,664</u>

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Prepaid and Other Assets:

Prepaid and other assets at March 31, 2005, consisted of the following:

Prepaid insurance	\$ 2,756
Inventories	<u>1,900</u>
Sub-total	4,656
Less allowance for obsolescence	<u>(190)</u>
Total	\$ <u>4,466</u>

NOTE 4 - Capital Assets, Net:

At March 31, 2005, capital assets, net consisted of the following:

<u>Description</u>	<u>Balance April 1, 2004</u>	<u>Addition</u>	<u>Balance March 31, 2005</u>
Land and land improvements	\$ 229,357	\$ -0-	\$ 229,357
Building and building improvements	2,387,345	22,724	2,410,069
Equipment	<u>204,264</u>	<u>10,785</u>	<u>215,049</u>
Sub-total	2,820,966	33,509	2,854,475
Less accumulated depreciation	<u>(1,091,882)</u>	<u>(91,261)</u>	<u>(1,183,143)</u>
Total	\$ <u>1,729,084</u>	\$ <u>(57,752)</u>	\$ <u>1,671,332</u>

NOTE 5 - Cash:

At March 31, 2005, the carrying amount of HACC's deposits was \$177,421 and the cumulative bank balance was \$242,464. Of this amount \$100,000 was covered by federal depository insurance and the remainder collateralized by a pledge of securities in the joint name of HACC and the financial institution and held in safekeeping by First National Banker's Bank.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - Cash, Continued:

Custodial credit risk is the risk that, in the event of a failure by the financial institution **HACC**'s deposits may not be returned to it. **HACC** has no deposit policy for custodial credit risk; however, none of **HACC**'s bank balances were exposed to custodial credit risk, since the pledged securities were in the joint name of **HACC** and the financial institution and were held in safekeeping by First National Banker's Bank.

Louisiana state law allows for the investment of excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana, or any other federally insured investment.

State law also requires that all deposits be fully collateralized at all times. Acceptable collateralization includes federal deposit insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the **HACC** or with an unaffiliated bank or trust company for the account of the **HACC**.

Deposits in excess of federal deposit insurance were collateralized by the securities previously described.

At March 31, 2005, cash consisted of the following:

	Low Rent Public Housing <u>Program</u>	Housing Choice Voucher <u>Program</u>	<u>Total</u>
Demand deposits	\$ <u>22,134</u>	\$ <u>196,897</u>	\$ <u>219,031</u>
Interest rate	<u>.25%</u>	<u>.25%</u>	

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Restricted Cash:

Restricted cash consists of \$10,772 received from tenants and a private donor that represent restricted cash as follows:

Private donor	\$ 1,127
Tenants	<u>6,227</u>
	<u>\$ 7,354</u>

NOTE 7 - Amounts and Other Payables:

Amounts and other payables at March 31, 2005, consisted the following:

Vendors	\$ 3,377
HUD	67,033
Other	<u>9,996</u>
	<u>\$ 80,406</u>

NOTE 8 - Risk Management:

HACC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; for which HACC carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 9 - Retirement:

On June 23, 2004, the Board of Commissioners of the HACC by resolution approved the establishment of a retirement plan, the Housing Renewal and Local Agency Retirement Plan (the Plan), under Code Section 401(a) effective July 1, 2004. The plan is for the benefit of all regular (forty (40) hours/week) full-time employees. The rate of employer contribution is 6% of employee's base rate of pay. Retirement expense for the year ended March 31, 2005 was \$ 12,260 for covered salaries.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Concentration of Credit Risk:

HACC receives primarily all of its revenues from dwelling rental and the Department of Housing and Urban Development (HUD). If the amount of revenues received from both dwelling rental and HUD, falls below contract levels, HACC's operating results could be adversely affected.

NOTE 11 - Contingencies:

HACC is subject to possible examinations by regulatory agencies who determine compliance with laws and regulations governing grants provided to HACC. These examinations may result in required refunds by HACC to the agencies and/or program beneficiaries.

NOTE 12 - Commitments:

At March 31, 2005, HACC has executed agreements with HUD totaling \$259,792 for various modernization, and to fund operations and management improvement activities. Balance of funds remaining at March 31, 2005 was \$4,185 (See Schedule IV).

NOTE 13 - Changes in Compensated Absences Payable:

Analysis of compensated absences payable follows:

<u>Description</u>	<u>Balance</u> <u>April 1, 2004</u>	<u>Non-current</u>	<u>Balance</u> <u>March 31, 2005</u>
Beginning of year	\$ 1,868	\$ 5,551	\$ 7,419
Addition	1,988	-0-	1,988
Retirement	(1,988)	-0-	(1,988)
End of year	<u>\$ 1,868</u>	<u>\$ 5,551</u>	<u>\$ 7,419</u>

HOUSING AUTHORITY OF THE CITY OF COVINGTON
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 14 - Per Diem for Board of Commissioners:

During the year ended March 31, 2005, no board member received per diem in his/her capacity as a commissioner.

NOTE 15 - Adjustment to Beginning Net Assets:

The adjustment to beginning net assets is primarily the result of an adjustment necessary to convert to the financial reporting requirements of GASB 34.

NOTE 16 - Hurricane Katrina

On August 29, 2005, the impact of Hurricane Katrina resulted in damages to the buildings of HACC. However, those damages did not affect the use of HACC's buildings. At December 21, 2006, the necessary insurance claims have been filed. Management is unable to determine the value of the total damages at December 21, 2006 as the complete assessment work effort is still in progress.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

Board of Commissioners
Housing Authority of the City of Covington
Slidell, Louisiana

Our report on our audit of the March 31, 2005, financial statements of **Housing Authority of the City of Covington (HACC)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The supplementary information (Schedules II, III, and IV) which are prepared in accordance with accounting principles generally accepted in the United States of America, and is not a required part of the financial statements, has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION
(CONTINUED)

Also, the supplementary information (Exhibits I and II), which are prepared in accordance with accounting principles generally accepted in the United States of America, has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 21, 2006

HOUSING AUTHORITY OF THE CITY OF COVINGTON
COMBINING STATEMENT OF NET ASSETS -- ENTERPRISE FUND
MARCH 31, 2005

	LOW RENT PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL (MEMORANDUM ONLY)
<u>ASSETS</u>				
Cash	\$ 29,488	\$ 196,897	\$ -0-	\$ 226,385
Amounts receivable, net	35,068	-0-	12,596	47,664
Prepaid and other assets	4,466	-0-	-0-	4,466
Due from other programs	114,996	-0-	-0-	114,996
Capital assets, net	<u>1,632,832</u>	<u>-0-</u>	<u>38,500</u>	<u>1,671,332</u>
Total assets	<u>\$1,816,850</u>	<u>\$ 196,897</u>	<u>\$ 51,096</u>	<u>\$ 2,064,843</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
 COMBINING STATEMENT OF NET ASSETS -- ENTERPRISE FUND, CONTINUED
 MARCH 31, 2005

	LOW RENT PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL (MEMORANDUM ONLY)
<u>LIABILITIES</u>				
Liabilities:				
Amounts and other payable	\$ 20,520	\$ 67,033	\$ -0-	\$ 87,553
Compensated absences payable	7,419	-0-	-0-	7,419
Payroll taxes payable	1,074	-0-	-0-	1,074
Security deposits held for tenants	6,227	-0-	-0-	6,227
Due to other programs	<u>-0-</u>	<u>102,400</u>	<u>12,596</u>	<u>114,996</u>
Total liabilities	<u>35,240</u>	<u>169,433</u>	<u>12,596</u>	<u>217,269</u>
<u>NET ASSETS</u>				
Net Assets:				
Invested in capital assets,				
Net of related	1,632,832	-0-	38,500	1,671,332
Unrestricted	<u>148,778</u>	<u>27,464</u>	<u>-0-</u>	<u>176,242</u>
Total net assets	<u>\$1,781,610</u>	<u>\$27,464</u>	<u>\$38,500</u>	<u>\$1,847,574</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS – ENTERPRISE FUND
FOR THE YEAR ENDED MARCH 31, 2005

	LOW RENT PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL (MEMORANDUM ONLY)
<u>OPERATING REVENUES</u>				
Dwelling rental	\$ 79,004	\$ -0-	\$ -0-	\$ 79,004
Fees and charges	<u>1,513</u>	<u>-0-</u>	<u>-0-</u>	<u>1,513</u>
Total operating revenues	<u>80,517</u>	<u>-0-</u>	<u>-0-</u>	<u>80,517</u>
<u>OPERATING EXPENSES</u>				
Salaries and employee benefits	108,209	37,165	-0-	145,374
Materials	22,204	-0-	-0-	22,204
Contractual services	46,751	10,824	-0-	57,575
Utilities	7,534	-0-	-0-	7,534
Depreciation	90,425	-0-	836	91,261
Insurance	18,367	4,445	-0-	22,812
Housing assistance payments	-0-	536,119	-0-	536,119
Convention and travel	17,840	2,218	-0-	20,058
Telephone	4,039	3,552	-0-	7,591
General	4,584	801	-0-	5,385
Payments in lieu of taxes	7,147	-0-	-0-	7,147
Bad debt	600	-0-	-0-	600
Dues and membership	661	95	-0-	756
Tenant services	155	-0-	-0-	155
Postage	1,018	1,208	-0-	2,226
Security	6,323	-0-	-0-	6,323
Training	3,984	268	-0-	4,252
Supplies	<u>3,568</u>	<u>2,037</u>	<u>-0-</u>	<u>5,605</u>
Total operating expenses	<u>343,409</u>	<u>598,732</u>	<u>836</u>	<u>942,977</u>
Net operating loss	<u>(262,892)</u>	<u>(598,732)</u>	<u>(836)</u>	<u>(862,460)</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS – ENTERPRISE FUND, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2005

	<u>LOW RENT PUBLIC HOUSING PROGRAM</u>	<u>HOUSING CHOICE VOUCHER PROGRAM</u>	<u>PUBLIC HOUSING CAPITAL FUND PROGRAM</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<u>Non-Operating Revenues:</u>				
Grants and subsidies	\$ 91,963	\$ 595,296	\$ 90,101	\$ 777,360
Interest income	196	366	-0-	562
Other	<u>236</u>	<u>379</u>	<u>-0-</u>	<u>615</u>
Total non-operating revenues	<u>92,395</u>	<u>596,041</u>	<u>90,101</u>	<u>778,537</u>
Net income (loss) before other financing sources (uses)	(170,497)	(2,691)	89,265	(83,923)
Other Financing Sources (Uses):				
Operating transfer in	56,592	-0-	-0-	56,592
Operating transfer out	<u>-0-</u>	<u>-0-</u>	<u>(56,592)</u>	<u>(56,592)</u>
Total other financing sources (uses)	<u>56,592</u>	<u>-0-</u>	<u>(56,592)</u>	<u>-0-</u>
Change in net assets	(113,905)	(2,691)	32,673	(83,923)
Net assets, beginning of year	96,921	32,637	13,827	143,385
Adjustments to beginning net assets	<u>1,798,594</u>	<u>(2,482)</u>	<u>(8,000)</u>	<u>1,788,112</u>
Net assets, beginning of year, as restated	<u>1,895,515</u>	<u>30,155</u>	<u>5,827</u>	<u>1,931,497</u>
Net assets, end of year	\$ <u>1,781,610</u>	\$ <u>27,464</u>	\$ <u>38,500</u>	\$ <u>1,847,574</u>

See Independent Auditors' Report on Supplementary Information.

SCHEDULE I

**HOUSING AUTHORITY OF THE CITY OF COVINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2005**

<u>Cluster/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Program funded by the U.S. Department of Housing and Urban Development (HUD):		
<u>Subject to Annual Contribution Contracts</u>		
Low Rent Public Housing Program	14.850	\$ 91,963
*Housing Choice Voucher Program	14.871	595,296
Public Housing Capital Fund Program	14.872	<u>90,101</u>
Total expenditures of federal awards		<u>\$ 777,360</u>

*Denotes major program as defined by OMB Circular A-133.

NOTE: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grant activity of HACC and is presented on an accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133 "Audits of States, Local Governments, and Non-profit Organizations".

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
FINANCIAL DATA SCHEDULE-COMBINING BALANCE SHEET
MARCH 31, 2005

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>LOW RENT PUBLIC HOUSING PROGRAM</u>	<u>HOUSING CHOICE VOUCHER PROGRAM</u>	<u>PUBLIC HOUSING CAPITAL FUND PROGRAM</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
111	Cash - unrestricted	\$ 22,134	\$ 196,897	\$-0-	\$ 219,031
114	Cash - tenant security deposits	<u>7,354</u>	<u>-0-</u>	<u>-0-</u>	<u>7,354</u>
100	Total cash	<u>29,488</u>	<u>196,897</u>	<u>-0-</u>	<u>226,385</u>
122	Accounts receivable - HUD other projects	23,101	-0-	12,596	35,697
125	Accounts receivable	9,996	-0-	-0-	9,996
126	Accounts receivable - tenant dwelling rents	2,960	-0-	-0-	2,960
126.1	Allowance for doubtful accounts - dwelling rents	<u>(989)</u>	<u>-0-</u>	<u>-0-</u>	<u>(989)</u>
120	Total receivables, net of allowances for accounts	<u>35,068</u>	<u>-0-</u>	<u>12,596</u>	<u>47,664</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
FINANCIAL DATA SCHEDULE-COMBINING BALANCE SHEET, CONTINUED
MARCH 31, 2005

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>LOW RENT PUBLIC HOUSING PROGRAM</u>	<u>HOUSING CHOICE VOUCHER PROGRAM</u>	<u>PUBLIC HOUSING CAPITAL FUND PROGRAM</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
142	Prepaid expenses and other assets	\$ 2,756	\$ -0-	\$ -0-	\$ 2,756
143	Inventories	1,900	-0-	-0-	1,900
143.1	Allowance for obsolete inventories	(190)	-0-	-0-	(190)
144	Interprogram due from	114,996	-0-	-0-	114,996
150	Total current assets	<u>184,018</u>	<u>196,897</u>	<u>12,596</u>	<u>393,511</u>
161	Land	229,357	-0-	-0-	229,357
162	Buildings	2,387,345	-0-	22,724	2,410,069
163	Furniture, equipment & machinery - dwellings	61,275	-0-	5,827	67,102
164	Furniture, equipment & machinery - administration	137,162	-0-	10,785	147,947
166	Accumulated depreciation	<u>(1,182,307)</u>	<u>-0-</u>	<u>(836)</u>	<u>(1,183,143)</u>
160	Total fixed assets, net of accumulated depreciation	<u>1,632,832</u>	<u>-0-</u>	<u>38,500</u>	<u>1,671,332</u>
180	Total non-current assets	<u>1,632,832</u>	<u>-0-</u>	<u>38,500</u>	<u>1,671,332</u>
190	Total assets	<u>\$ 1,816,850</u>	<u>\$ 196,897</u>	<u>\$ 51,096</u>	<u>\$ 2,064,843</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
FINANCIAL DATA SCHEDULE-COMBINING BALANCE SHEET, CONTINUED
MARCH 31, 2005

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>LOW RENT PUBLIC HOUSING PROGRAM</u>	<u>HOUSING CHOICE VOUCHER PROGRAM</u>	<u>PUBLIC HOUSING CAPITAL FUND PROGRAM</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
312	Accounts payable ≤ 90 days	\$ 3,377	\$ -0-	\$ -0-	\$ 3,377
321	Accrued wage/payroll taxes payable	1,074	-0-	-0-	1,074
322	Accrued compensated absences-current portion	1,868	-0-	-0-	1,868
331	Accounts payable HUD PHA	-0-	67,033	-0-	67,033
333	Accounts payable - other Government	7,147	-0-	-0-	7,147
341	Tenant security deposits	6,227	-0-	-0-	6,227
345	Other current liabilities	9,996	-0-	-0-	9,996
347	Interprogram due to	-0-	102,400	12,596	114,996
310	Total current liabilities	29,689	169,433	12,596	211,718
354	Accrued compensated absences non-current portion	5,551	-0-	-0-	5,551
350	Total noncurrent liabilities	5,551	-0-	-0-	5,551
300	Total liabilities	35,240	169,433	12,596	217,269

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
FINANCIAL DATA SCHEDULE-COMBINING BALANCE SHEET, CONTINUED
MARCH 31, 2005

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>LOW RENT PUBLIC HOUSING PROGRAM</u>	<u>HOUSING CHOICE VOUCHER PROGRAM</u>	<u>PUBLIC HOUSING CAPITAL FUND PROGRAM</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
508.1	Invested in capital assets net of debt	\$ 1,632,832	\$ -0-	\$ 38,500	\$ 1,671,332
512.1	Unrestricted net assets	<u>148,778</u>	<u>27,464</u>	<u>-0-</u>	<u>176,242</u>
513	Total equity/net assets	<u>1,781,610</u>	<u>27,464</u>	<u>38,500</u>	<u>1,847,574</u>
600	Total liabilities and equity/net assets	<u>\$1,816,850</u>	<u>\$ 196,897</u>	<u>\$ 51,096</u>	<u>\$2,064,843</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
FINANCIAL DATA SCHEDULE-COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2005

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>LOW RENT PUBLIC HOUSING PROGRAM</u>	<u>HOUSING CHOICE VOUCHER PROGRAM</u>	<u>PUBLIC HOUSING CAPITAL FUND PROGRAM</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
703	Net tenant rental revenue	\$ 79,004	\$ -0-	\$ -0-	\$ 79,004
704	Tenant revenue - other	<u>1,513</u>	<u>-0-</u>	<u>-0-</u>	<u>1,513</u>
705	Total tenant revenues	80,517	-0-	-0-	80,517
706	HUD PHA operating grants	91,963	595,296	56,592	743,851
706.1	Capital grants	-0-	-0-	33,509	33,509
711	Investment income - unrestricted	196	366	-0-	562
715	Other revenue	<u>236</u>	<u>379</u>	<u>-0-</u>	<u>615</u>
700	Total revenues	<u>172,912</u>	<u>596,041</u>	<u>90,101</u>	<u>859,054</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
FINANCIAL DATA SCHEDULE-COMBINING STATEMENT OF REVENUES AND EXPENSES, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2005

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>LOW RENT PUBLIC HOUSING PROGRAM</u>	<u>HOUSING CHOICE VOUCHER PROGRAM</u>	<u>PUBLIC HOUSING CAPITAL FUND PROGRAM</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
911	Administrative salaries	\$ 58,180	\$32,180	\$ 0-	\$ 90,360
912	Auditing fees	2,050	3,500	-0-	5,550
915	Employee benefit contributions-administrative	32,288	4,985	-0-	37,273
916	Other operating - administrative	51,144	17,503	-0-	68,647
924	Tenant services - other	155	-0-	-0-	155
931	Water	1,118	-0-	-0-	1,118
932	Electricity	5,770	-0-	-0-	5,770
933	Gas	646	-0-	-0-	646
941	Ordinary maintenance and operations-labor	<u>16,128</u>	<u>-0-</u>	<u>-0-</u>	<u>16,128</u>
	Page total	<u>167,479</u>	<u>58,168</u>	<u>-0-</u>	<u>225,647</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
FINANCIAL DATA SCHEDULE-COMBINING STATEMENT OF REVENUES AND EXPENSES, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2005

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>LOW RENT PUBLIC HOUSING PROGRAM</u>	<u>HOUSING CHOICE VOUCHER PROGRAM</u>	<u>PUBLIC HOUSING CAPITAL FUND PROGRAM</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
942	Ordinary maintenance and operations- materials and other	\$ 22,204	\$ -0-	\$ -0-	\$ 22,204
943	Ordinary maintenance and operations- contract costs	29,251	-0-	-0-	29,251
945	Employee benefit contributions- ordinary maintenance	1,613	-0-	-0-	1,613
952	Protective services - other contract costs	6,323	-0-	-0-	6,323
961	Insurance premiums	18,367	4,445	-0-	22,812
963	Payments in lieu of taxes	7,147	-0-	-0-	7,147
964	Bad debts - tenant rents	<u>600</u>	<u>-0-</u>	<u>-0-</u>	<u>600</u>
969	Total operating expenses	<u>252,984</u>	<u>62,613</u>	<u>-0-</u>	<u>315,597</u>
970	Excess (deficit) of operating revenues over operating expenses	<u>(80,072)</u>	<u>533,428</u>	<u>90,101</u>	<u>543,457</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
FINANCIAL DATA SCHEDULE-COMBINING STATEMENT OF REVENUES AND EXPENSES, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2005

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>LOW RENT PUBLIC HOUSING PROGRAM</u>	<u>HOUSING CHOICE VOUCHER PROGRAM</u>	<u>PUBLIC HOUSING CAPITAL FUND PROGRAM</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
	Other Expenses:				
973	Housing assistance payments	\$ -0-	\$ 536,119	\$ -0-	\$ 536,119
974	Depreciation expense	90,425	-0-	836	91,261
900	Total expenses	343,409	598,732	836	942,977
	Other Financing Sources (Uses):				
1001	Operating transfers in	56,592	-0-	-0-	56,592
1002	Operating transfers out	-0-	-0-	(56,592)	(56,592)
1000	Excess (deficiency) of revenues over (under) expenses	\$ (113,905)	\$ (2,691)	\$ 32,673	\$ (83,923)
1103	Beginning equity /net assets	96,921	32,637	13,827	143,385
1104	Prior period adjustments, equity transfers, and correction of errors, net	1,798,594	(2,482)	(8,000)	1,788,112
	Beginning equity / net assets, as adjusted	\$ 1,895,515	\$ 30,155	\$ 5,827	\$ 1,931,497

See Independent Auditors' Report on Supplementary Information.

SCHEDULE IV

HOUSING AUTHORITY OF THE CITY OF COVINGTON
STATEMENT OF CAPITAL FUND PROGRAM COSTS (INCOMPLETE)
FROM INCEPTION THROUGH MARCH 31, 2005

	Annual Contribution Contract LA48P238501-01	Annual Contribution Contract LA48P238501-02	Annual Contribution Contract LA48P238501-03	Total (Memorandum Only)
Funds approved	\$ 89,793	\$ 84,437	\$ 85,562	\$ 259,792
Funds expended	<u>89,793</u>	<u>(84,437)</u>	<u>(81,377)</u>	<u>255,607</u>
Excess of funds approved	<u>-0-</u>	<u>-0-</u>	<u>4,185</u>	<u>4,185</u>
Funds advanced:				
Grant funding	<u>89,793</u>	<u>84,437</u>	<u>68,781</u>	<u>243,011</u>
Total funds advanced	89,793	84,437	68,781	243,011
Funds expended	<u>(89,793)</u>	<u>(84,437)</u>	<u>(81,377)</u>	<u>(255,607)</u>
Excess (deficiency) of funds advanced	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (12,596)</u>	<u>\$ (12,596)</u>

See Independent Auditors' Report on Supplementary Information.



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Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
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Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Housing Authority of the City of Covington
Covington, Louisiana

We have audited the financial statements of **Housing Authority of the City of Covington (HACC)** as of and for the year ended March 31, 2005, and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **HACC's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting, would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting which we have reported to management of **HACC** in a separate letter dated December 21, 2006.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HACC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of HACC's Board, management, the Legislative Auditor for the State of Louisiana and the U.S. Department of Housing and Urban Development and is not intended to be, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 21, 2006

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Housing Authority of the City of Covington
Covington, Louisiana

Compliance

We have audited the compliance of **Housing Authority of the City of Covington (HACC)** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended March 31, 2005. HACC's major federal program is identified in the Summary of Auditor's Results section of the accompanying Summary Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of HACC's management. Our responsibility is to express an opinion on HACC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements previously referred to that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about HACC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on HACC's compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Compliance, Continued

In our opinion, HACC complied, in all material respects, with the requirements previously referred to that are applicable to its major federal program for the year ended March 31, 2005.

Internal Control Over Compliance

The management of HACC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered HACC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

This report is intended solely for the information and use of HACC's Board, management, the Legislative Auditor for the State of Louisiana and the U.S. Department of Housing and Urban Development and is not intended to be, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 21, 2006

HOUSING AUTHORITY OF THE CITY OF COVINGTON
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2005

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Reportable condition(s) identified
that are not considered to be
material weaknesses? **None Reported**

Non-compliance material to financial statements noted? **No**

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? **No**
- Reportable condition(s) identified
that are not considered to be
material weaknesses? **None Reported**

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of Circular A-133? **No**

HOUSING AUTHORITY OF THE CITY OF COVINGTON
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2005

Section I - Summary of Auditors' Results, Continued

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
14.871	Housing Choice Voucher Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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HOUSING AUTHORITY OF THE CITY OF COVINGTON
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2005

Section II - Financial Statement Findings and Questioned Costs

No financial statement findings were reported for the year ended March 31, 2005.

Section III - Federal Award Findings and Questioned Costs

No federal award findings and questions were reported for the year ended March 31, 2005.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2005

Section IV - Status of Prior Year's Findings and Questioned Costs

Reference Number

2004-01

Condition

Our review of ten (10) Housing Choice Voucher Program tenant files revealed:

- One (1) instance where **HACC** tenant file contained no documentation to support the independent verification of income. However, we noted a copy of the income received from the tenant on file.
- Ten (10) instances where **HACC** did not have an audit trail to support the timely submission of all HUD Forms 50058. It is our understanding through discussion with management that the current software system does not generate reports upon submission to "MTCS". Furthermore, manual copies of reports are maintained and/or available. However, we noted documentation maintained by the Executive Director to suggest her review of the submission process.
- One (1) instance where the HUD Form 50058 for a tenant did not contain the social security information required. Subsequent to our review management has provided us with a revised HUD Form 50058 containing the required information.
- One (1) instance where a tenant was afforded a utility allowance for a two bedroom unit instead of a one bedroom unit. Subsequent to our review, management has corrected the error.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2005

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2004-01

Recommendation

We recommend that management of HACC continue to improve its established processes, policies and procedures to ensure that all tenant files contain all required documentation pursuant to established policies and HUD regulations.

Also, management should review the current software system for the "MTCS" reporting processes with an aim towards the generation of reports based on submission made through the system.

Current Status

Resolved.

HOUSING AUTHORITY OF THE CITY OF COVINGTON
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 2005

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2004-02

Condition

We were unable to perform audit procedures to test the accuracy of Form HUD-52723, Operating Fund Formula Calculation of Operating Subsidy because management was unable to provide documentation to support the previous allowable utilities expense amount for the years ended March 31, 2002, 2001, and 2000, the rent roll and add-ons. The "OFF" Calculation was prepared by HACC's previous fee accountant, who as of this date has not provided all supporting documents to HACC.

Recommendation

We recommend that management maintain documentation used to support all amounts reported for all reports prepared and/or submitted by its fee accountant.

Current Status

Partially resolved.

HOUSING AUTHORITY OF THE CITY OF COVINGTON

EXIT CONFERENCE

The financial statements and all related reports, exhibits and schedules were discussed at an exit conference. Those that participated in the conference and previous discussions are as follows:

HOUSING AUTHORITY OF THE CITY OF COVINGTON

Ms. Tammie Groover

-- Executive Director

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Paul K. Andoh, Sr., CPA, CGFM, MBA

-- Partner



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INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

Ms. Tammie Groover, Executive Director
Housing Authority of the City of Covington

In planning and performing our audit of the financial statements of **Housing Authority of the City of Covington (HACC)**, as of and for the year ended March 31, 2005 in accordance with auditing standards generally accepted in the United States of America, we considered HACC's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

As a part of our audit, we noted certain matters that are opportunities for strengthening internal control and improving operating efficiency. We previously reported on HACC's internal control in our report dated December 21, 2006. This letter does not affect our report dated December 21, 2006, on HACC's internal control or its financial statements.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or assist you in implementing the recommendations.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR'S COMMENTS

The following is a summary of our comments and recommendations concerning those matters:

Condition

Considering the size of HACC's personnel, the important elements of internal control and segregation of duties cannot always be achieved to insure adequate protection and safeguarding of HACC's assets.

Recommendation

We recommend that management continue to provide the necessary oversight in its current internal control procedures (specifically in the areas of cash receipts, collection activities, recordation of those receipts, depositing of funds collected, cash disbursements, recordation and procurement activities).

Management's Response

Management of HACC will continue to actively participate in key internal control areas.

Condition

Currently, the financial statements to include general ledger account reconciliations for the Voucher, Low Rent and Capital Fund Programs are prepared by HACC's fee accountant. Our review revealed the absence of any documented evidence at HACC's management level of work effort delivered to HACC by its fee accountant. Also, we noted at March 31, 2005 unreconciled differences between the detail subsidiary ledgers and the general ledger control account balances for tenant accounts receivable, materials inventory, tenant security deposit and deposits over (under) accounts.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR'S COMMENTS, CONTINUED

Recommendation

Management should implement a plan that ensures that all work effort of its fee accountant and staff are reviewed on a monthly basis , and evidence of such review indicated via the signing and dating. Also, all accounts with differences at March 31, 2005, should be reviewed and resolved immediately.

Management's Response

HACC will revisit with the monitoring aspect of its internal control with a aim towards ensuring its adequacy and to provide the level of management oversight desired in an effective control environment. Resolution is anticipated by no later than June 30, 2007.

Condition

Inadequate audit trail to ensure the completeness in HACC Voucher Program's monthly unit count reporting and housing assistance payments to landlords (HAP).

The detailed HAP register provided to us for the year ended March 31, 2005, had payments totaling \$557,437 versus the general ledger control amount of \$536,119 resulting in a difference of \$21,318. Also, the unit count used in the calculation of the administrative fee had variances for the months of April and October of 2004, and March 2005.

It is our understanding through discussion with management that the appropriate supporting documents were made available to its fee accountant.

Recommendation

We recommend that management review its data accumulation process to ensure the accurate reporting of administrative fees earned and HAP payments. Also, management should ensure that on a monthly basis, the subsidiary and control ledgers are reconciled and all differences resolved immediately.

Management's Response

Management will implement a process to monitor the work-effort of its new fee accountant by no later than July 31, 2007.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR'S COMMENTS, CONTINUED

Condition

Currently, HACC uses various software to accumulate accounting and program information on a regular basis. However, we noted no plan to require the offsite storage of all pertinent accounting and program data.

Recommendation

We recommend that management address the need for a disaster recovery plan. Areas that should be addressed in a disaster recovery plan include the following:

- Definition of threats and risk (including likely effects on HACC).
- Operational security.
- Processing priorities.
- Disaster recovery planning (as appropriate).
- Insurance coverage available or desirable.

Management's Response

Management anticipates the implementation of a plan by no later than June 30, 2007.

Condition

HACC has no formal system in place to ensure the periodic evaluation of risk in the categories of property, general liability etc. to ensure the adequacy in insurance coverage.

It is our understanding through discussion with management that on an annual basis its insurance coverages are evaluated by an independent party for adequacy.

Recommendation

We recommend that a formal system be established aimed at the periodic evaluation or assessment of the adequacy in insurance coverages.

Management's Response

Management of HACC will implement a formal process by no later than September 30, 2007.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR'S COMMENTS, CONTINUED

Condition

HACC is accordance with its procurement policy procured pest control services for a one year period. However, we noted that the contract agreement executed dictated an automatic annual renewal unless otherwise directed by the HACC within thirty days of expiration.

Recommendation

We recommend that management of HACC review its current contract to ensure that it meets its initial proposed period of time procured for services.

Management's Response

HACC is currently in the process of procuring for the referenced services and will ensure specific resolution of the term of services desired in its contract agreement with the successful bidder.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR'S COMMENTS

The following is a status of prior year's comments to management:

Condition

Considering the size of HACC's personnel, the important elements of internal control and segregation of duties cannot always be achieved to insure adequate protection and safeguarding of HACC's assets.

Recommendation

We recommend that management evaluate its current internal control procedures (specifically in the areas of cash receipts, collection activities, recordation of those receipts and the depositing of funds collected).

Current Status

Unresolved. See current year's comment.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR'S COMMENTS, CONTINUED.

Condition

Our review of HACC's cash disbursement procedures, revealed the absence of procedures in place to require evidence of the mathematical verification of invoices paid, and the defacing of paid invoices by way of stamping them "paid" to insure payment of appropriate amounts and avoid duplicate payment. It is our understanding through discussion with management that its current procedure requires that, all invoices are filed in the respective vendor files upon payment.

Recommendation

We recommend that management evaluate its current cash disbursement procedures and to consider the inclusion of procedures to insure that invoices are mathematically verified and defaced prior to payment.

Current Status

Resolved.

Condition

Currently, the financial statements to include general ledger account reconciliations are prepared by HACC's fee accountant. Our review revealed the absence of any documented evidence at HACC's management level of work effort delivered to HACC by its fee accountant. Specifically, we noted the lack of evidence to support a review of the March 31, 2004, bank accountant reconciliations.

Recommendation

Management should evaluate the monitoring aspect of its internal control with an aim towards ensuring that all work effort of its fee accountant and staff are reviewed and evidence of such a review indicated via the signing and dating.

Current Status

Unresolved. See current year's comment.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR'S COMMENTS, CONTINUED

Condition

At March 31, 2004, the material inventory balance as reflected on HACC's general ledger remained the same as that of March 31, 2003. It is our understanding that no physical inventory was observed nor is a subsidiary ledger maintained for materials.

Recommendation

We recommend that management evaluate its current procedures and consider the need for periodic physical inventory count to include the necessary adjustment to the general ledger control account, if necessary.

Current Status

Unresolved. See current year's comment.

Condition

Inadequate audit trail to ensure the completeness in HACC Voucher Program's monthly leased-up reporting.

Recommendation

We recommend that pursuant to HUD regulations, a leased-up schedule is maintain to facilitate the timely and accurate reporting of administrative fees earned.

Current Status

Unresolved. See current year's comment.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR'S COMMENTS, CONTINUED

Condition

Currently, HACC uses various software to accumulate accounting and program information on a regular basis. However, we noted no plan to require the offsite storage of all pertinent accounting and program data.

Recommendation

We recommend that management address the need for a disaster recovery plan. Areas that should be addressed in a disaster recovery plan include the following:

- Definition of threats and risk (including likely effects on HACC).
- Operational security.
- Processing priorities.
- Disaster recovery planning (as appropriate).
- Insurance coverage available or desirable.

Current Status

Unresolved. See current year's comment.

Condition

HACC has no formal system in place to ensure the periodic evaluation of risk in the categories of property, general liability etc. to ensure the adequacy in insurance coverage.

Recommendation

We recommend that a formal system be established aimed at the periodic evaluation or assessment of the adequacy in insurance coverages.

Current Status

Unresolved. See current year's comment.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR'S COMMENTS, CONTINUED

Condition

HACC does not have an annual procurement plan specifically for purchases below the \$10,000 threshold.

Recommendation

We recommend that management of HACC develop an annual procurement plan that incorporates an evaluation of its procurement activities to include documentation to support the type and/or form of procurement performed.

Current Status

Partially resolved.

As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions and/or require further detail, please do not hesitate to call.

This report is intended solely for the information and use of the Board of Commissioners, management, United States Department of Housing and Urban Development, Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 21, 2006